TONTINE

CHINA TONTINE WINES GROUP LIMITED
中國通天酒業集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 389)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 62.7% to approximately RMB286.3 million (2013: approximately RMB176.0 million).
- Gross profit was approximately RMB24.9 million as compared with the gross loss of approximately RMB90.1 million for last year.
- Loss and total comprehensive expense for the year attributable to owners of the Company increased by approximately 30.8% to approximately RMB659.0 million (2013: approximately RMB503.9 million).
- Basic loss per share increased by 30.8% to approximately RMB32.7 cents (2013: approximately RMB25.0 cents).

The board of directors (the "Board") of China Tontine Wines Group Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Year"), prepared on the basis set out in Note 2.1, together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Revenue	*3*	**286,320**	175,996
Cost of sales		**(261,378)**	(266,143)
Gross profit (loss)		**24,942**	(90,147)
Other income	*5*	**4,785**	15,306
Selling and distribution expenses		**(192,331)**	(238,726)
Administrative expenses		**(76,482)**	(53,711)
Impairment of property, plant and equipment	*6*	**(478,407)**	(158,668)
Impairment of prepaid lease payments	*6*	**(22,560)**	–
Impairment of intangible assets	*6*	**(22,157)**	–
Change in fair value of biological assets		**(1,274)**	(3,047)
Loss before tax		**(763,484)**	(528,993)
Income tax credit	*7*	**22,627**	25,137
Loss and total comprehensive expense for the year	*8*	**(740,857)**	(503,856)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(658,968)**	(503,856)
Non-controlling interests		**(81,889)**	–
		(740,857)	(503,856)
Loss per share	*10*		
Basic *(RMB cents)*		**(32.7)**	(25.0)
Diluted *(RMB cents)*		**(32.7)**	(25.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment		**139,896**	549,693
Prepaid lease payments		**59,586**	84,762
Intangible assets		**–**	25,781
Deposits paid for acquisition of property, plant and equipment		**7,343**	48,389
Biological assets		**7,470**	5,750
		214,295	714,375
Current Assets			
Inventories		**315,185**	258,481
Trade receivables	11	**97,115**	59,144
Deposits and other receivables		**12,076**	19,650
Tax recoverable		**5,551**	5,551
Prepaid lease payments		**2,723**	3,125
Bank balances and cash		**172,613**	530,920
		605,263	876,871
Current Liabilities			
Trade payables	12	**19,317**	13,084
Other payables and accruals		**34,014**	45,218
Tax liabilities		**9,988**	12,833
		63,319	71,135
Net Current Assets		**541,944**	805,736
Total Assets Less Current Liabilities		**756,239**	1,520,111
Non-current Liabilities			
Deferred tax liabilities		**–**	23,015
		756,239	1,497,096
Capital and Reserves			
Share capital		**17,624**	17,624
Reserves		**671,110**	1,330,078
Equity attributable to owners of the Company		**688,734**	1,347,702
Non-controlling interests		**67,505**	149,394
Total Equity		**756,239**	1,497,096

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Special reserve**	**Statutory reserves**	**Share option reserve**	**Retained profits (Accumulated losses)**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note a)	*(Note b)*					
At 1 January 2013	17,624	910,541	86,360	130,634	14,978	691,421	1,851,558	–	1,851,558
Loss and total comprehensive expense for the year	–	–	–	–	–	(503,856)	(503,856)	–	(503,856)
Share option lapsed/forfeited	–	–	–	–	(6,719)	6,719	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	149,394	149,394
At 31 December 2013	17,624	910,541	86,360	130,634	8,259	194,284	1,347,702	149,394	1,497,096
Loss and total comprehensive expense for the year	–	–	–	–	–	(658,968)	(658,968)	(81,889)	(740,857)
At 31 December 2014	17,624	910,541	86,360	130,634	8,259	(464,684)	688,734	67,505	756,239

Notes:

(a) Special reserve represents the difference between the nominal value of the shares of the Company issued and the aggregate of the nominal value of the issued shares and the share premium of the holding company for which the shares of the Company have been issued in exchange upon a corporate reorganisation to rationalise the Group structure prior to listing of the Company's share on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

(b) In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), the PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries) but before dividend distributions.

All appropriations to the funds are made at the discretion of the board of directors of the subsidiaries. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital of the PRC subsidiaries subject to approval from the relevant PRC authorities. The general reserves fund may be used to offset accumulated losses or increase the registered capital of the subsidiaries subject to approval from the relevant PRC authorities

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Stock Exchange. The Board considers that the Company's ultimate holding company is Up Mount International Limited, a limited company incorporated in the British Virgin Islands. The addresses of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and sale of grape wine products.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical basis, except for the biological assets that are measured at fair value less costs to sell at the end of each reporting period, as explained below.

Historical cost is generally based on the fair value of consideration given in exchange for goods.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*
[3] *Effective for annual periods beginning on or after 1 January 2017*
[4] *Effective for annual periods beginning on or after 1 July 2014*
[5] *Effective for annual periods beginning on or after 1 January 2016*
[6] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Board of the Company does not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments will impact the relevant standard to apply in accounting for classification and measurement of the biological assets held by the Group in the future. For the grapevines, they will meet the definition of bearer plants and are within the scope of HKAS 16. However, for grapes growing on the grapevines is regarded as produce within the scope of HKAS 41.

The Board of the Company is under the process of the assessment on the impact of the adoption of the amendment to the Group's consolidation financial statement. The Group will adopt the amendment for the reporting period ended 31 December 2016.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Board of the Company does not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Board of the Company does not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Except as mentioned above, the Board of the Company does not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

3. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts.

4. SEGMENT INFORMATION

The Group determines its reportable and operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Executive Directors) of the Company in order to allocate the resources to the segment and to assess its performance. No operating segments identified by chief operating decision maker have been aggregated in arising at the reportable segments of the Group.

The Group is principally engaged in the business of manufacturing and sales of grape wine products. The Group is organised based on the region of goods delivered.

The Group's reportable and operating segments under HKFRS 8 are identified based on different geographical zones of goods delivered in the PRC: North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

- North-East Region includes the Provinces of Heilongjiang, Jilin and Liaoning.
- Northern Region includes the Provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.
- Eastern Region includes the Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang and city of Shanghai.
- South-Central Region includes the Provinces of Guangdong, Hainan, Henan, Hubei and Hunan.
- South-West Region includes the Provinces of Guizhou, Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.

The accounting policies of the reportable and operating segments are the same as those described in the summary of significant accounting policies.

No revenue from transactions with a single external customer amounted to 10 per cent or more of the Group's total revenue.

The Group's operations are located in the PRC and all revenues from external customers and non-current assets are attributed to and located in the PRC.

Information about reportable and operating segment revenue, loss, assets and liabilities

	North-East Region *RMB'000*	Northern Region *RMB'000*	Eastern Region *RMB'000*	South-Central Region *RMB'000*	South-West Region *RMB'000*	Total *RMB'000*
For the year ended 31 December 2014						
Segment revenue from external customers	38,056	61,772	88,169	43,459	54,864	286,320
Segment loss	19,325	27,001	39,188	22,588	31,573	139,675
For the year ended 31 December 2013						
Segment revenue from external customers	28,730	35,281	52,235	24,683	35,067	175,996
Segment loss	15,253	18,736	35,255	16,572	25,725	111,541
As at 31 December 2014						
Segment assets	15,153	22,947	27,397	13,840	19,653	98,990
Segment liabilities	1,778	2,884	4,116	2,029	2,561	13,368
As at 31 December 2013						
Segment assets	5,611	11,955	17,714	7,778	16,216	59,274
Segment liabilities	1,966	2,415	3,575	1,689	2,399	12,044

Reconciliations of reportable and operating segment revenue, (loss) profit, assets and liabilities

Revenue

No reconciliation of reportable and operating segment revenue is provided as the total revenue for reportable and operating segments is the same as Group's revenue.

	2014 *RMB'000*	2013 *RMB'000*
Total segment loss	**(139,675)**	(111,541)
Unallocated amounts:		
Other corporate income	**4,785**	15,306
Other corporate expenses	**(628,594)**	(432,758)
Consolidated loss before tax	**(763,484)**	(528,993)

Reportable and operating segment loss represented the loss incurred by each segment without allocation of amortisation, depreciation, impairment expenses, selling expense, other corporate expenses and other corporate income.

	2014	2013
	RMB'000	*RMB'000*
Assets		
Total segment assets	**98,990**	59,274
Other unallocated amounts		
Property, plant and equipment	**139,896**	549,693
Prepaid lease payments	**62,309**	87,887
Intangible assets	**–**	25,781
Deposits paid for acquisition of property, plant and equipment	**7,343**	48,389
Biological assets	**7,470**	5,750
Inventories	**315,185**	258,481
Deposits and other receivables	**10,201**	19,520
Tax recoverable	**5,551**	5,551
Bank balances and cash	**172,613**	530,920
Consolidated total assets	**819,558**	1,591,246

Reportable and operating segment assets comprise trade receivables and prepaid other tax receivables.

	2014	2013
	RMB'000	*RMB'000*
Liabilities		
Total segment liabilities	**13,368**	12,044
Other unallocated amounts		
Trade payables	**19,317**	13,084
Other payables and accruals	**20,646**	33,174
Tax liabilities	**9,988**	12,833
Deferred tax liabilities	**–**	23,015
Consolidated total liabilities	**63,319**	94,150

Reportable and operating segment liabilities comprise certain other payables and accruals.

5. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Interest income from bank deposits	**4,574**	11,275
Net foreign exchange gain	**139**	–
Gain on disposal of property, plant and equipment	**72**	–
Income from disposal of scrapped goods	**–**	4,000
Rental income	**–**	31
	4,785	15,306

6. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2014, the Board conducted a review on carrying amount of the Group's property, plant and equipment, prepaid lease payments and intangible assets. A number of those assets were impaired under the impairment assessments.

The recoverable amounts of the relevant assets for property, plant and equipment have been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use ranged from 24% to 26%. The carrying amounts of these assets are less than their recoverable amounts. Accordingly, impairment losses of RMB478,407,000 (2013: RMB158,668,000) have been recognised to profit or loss in current year.

For prepaid lease payments, the recoverable amounts have been determined by fair value less costs to sell. The fair value at 31 December 2014 has been determined by the Board, arrived by reference to market evidence of transaction prices of similar prepaid lease payments in the similar locations and conditions. Accordingly, impairment loss of RMB22,560,000 (2013: nil) has been recognised to profit or loss in current year.

For intangible assets, the recoverable amounts of the trademarks have been determined on the basis of the value in use. Accordingly, impairment loss of RMB22,157,000 (2013: Nil) has been recognised to profit or loss in current year.

7. INCOME TAX CREDIT

	2014	2013
	RMB'000	*RMB'000*
The credit comprises:		
Current tax charge		
PRC Enterprise Income Tax ("EIT") in current year	**388**	–
Deferred tax credit	**(23,015)**	(25,137)
	(22,627)	(25,137)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Provision for the PRC EIT was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries operated in the PRC.

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Loss before tax	**(763,484)**	(528,993)
Tax credit at income tax rate of 25%	**(190,871)**	(132,248)
Tax effect of income not taxable for tax purpose	**(1)**	(2)
Tax effect of expenses not deductible for tax purpose	**157,853**	5,944
Tax effect of tax loss not recognised	**33,407**	126,306
Deferred tax on undistributed earnings of PRC subsidiaries	**(23,015)**	(25,137)
Income tax credit for the year	**(22,627)**	(25,137)

8. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Loss and total comprehensive expense for the year has been arrived at after charging:		
Auditor's remuneration	**1,441**	1,429
Cost of inventories recognised as an expense	**220,846**	239,560
Depreciation of property, plant and equipment	**25,350**	21,285
Amortisation of intangible assets	**3,624**	–
Amortisation of prepaid lease payments	**3,018**	2,904
Less: amounts included in biological assets	**(1,786)**	(1,786)
	1,232	1,118
Research and development costs recognised as an expense (included in administrative expenses)	**8,300**	10,100
Net foreign exchange loss	**–**	1,270
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**18,954**	14,993
– share-based payments	**–**	–
– sales commission	**6,797**	4,717
– retirement benefits scheme contribution	**4,132**	2,293
	29,883	22,003
Write off of inventories (included in cost of sales)	**1,038**	138,365
Write off of biological assets (included in cost of sales)	**–**	111
Advertising and promotion expenses (included in selling and distribution expenses)	**153,959**	214,968

9. DIVIDENDS

No dividend was paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

The calculations of the basic and diluted loss per share attributable to the owners of the Company are based on the following data:

	2014	2013
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(658,968)**	503,856

	2014 & 2013
	Number of shares
Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,013,018,000

For the year ended 31 December 2014 and 2013, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

11. TRADE RECEIVABLES

The Group allows a credit period of 90 days to its trade customers except for new customers which payment is made when goods are delivered. The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**50,340**	35,926
31 – 60 days	**27,631**	13,299
61 – 90 days	**19,144**	9,919
	97,115	59,144

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

No trade receivable balance is past due at the end of the reporting period.

12. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**5,347**	2,594
31 – 60 days	**4,399**	4,337
61 – 90 days	**9,571**	6,153
	19,317	13,084

The average credit period on purchase of raw materials ranges from two to three months.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Following the deteriorating market condition from 2013, China's grape wine industry faced a challenging start in 2014. The gloomy outlook of global economy and the slower than expected economic growth of China adversely changed the market consumption sentiment. With a sluggish economy and frugal policies in abstaining ostentatious officials' spending in China, the business environment of the industry was in a crisis of in-depth adjustment. Though there were sights of stabilizing, wave of destocking continues. Fierce competition combined with rising operating costs pushed the industry to the edge of consolidation. While some smaller market players were forced to be phased out of the market, players with core brand value and the ability to respond quickly to market changes survived and were expected to benefit from this round of consolidation.

Amidst such a market landscape, the Group implemented effective measures and streamlining strategies to overcome such difficult period. Having considered the continuous challenging environment, the management has adjusted its strategies and undertaken a series of streamlining in the operations while proactively exploring new opportunities to sustain long-term development.

Despite the Group's efforts in taking adjustment measures in response to the market situation, the Group's overall performance for the Year still fell short of expectation. During the Year, faced with the industry issues such as sluggish high-end product market, rising costs in raw materials, labour and rental, etc., the Group proactively adjusted its product mix and pricing strategies to focus on middle and low-end products.

The Group recorded a revenue of approximately RMB286.3 million (2013: RMB176.0 million) for the Year, representing an increase of approximately 62.7% and the Group's loss and total comprehensive expense attributable to owners of the Company for the Year increased by approximately 30.8% to approximately RMB659.0 million (2013: RMB503.9 million).

The Company's basic loss per share for the Year was approximately RMB32.7 cents (2013: RMB25.0 cents) based on the weighted average number of shares in issue during the Year.

BUSINESS REVIEW

Sales and distribution network

The Group sells substantially all of its products to distributors, who distribute and sell such grape wine products to third-party retailers, including supermarkets, and speciality stores selling tobacco and alcohol, food and beverage outlets such as restaurants and hotel restaurants, as well as through their own direct sales distribution to end-consumers and other sub-distributors.

Generally, the Group selects distributors to distribute grape wines products within a designated geographical area and such selections are based on factors such as economic strength, sales network in the Group's target market, product knowledge, mutual goodwill and common objectives, good track record and successful experience in consumer goods distribution, and high moral integrity, credibility and social standing.

The Group constantly reviews the performance of the distributors within its sales and distribution network. During the Year, cooperation with 41 distributors was terminated by the Group after careful selection and evaluation. As at 31 December 2014, the Group's products were sold through 135 distributors in 22 provinces, 3 autonomous regions and 4 municipal cities in the PRC. All distributors are independent third parties and are generally engaged in the business of distributing and selling of grape wine products.

The Group enters into standard distribution agreement with each of its selected distributors for a period of one year and following successful negotiation between the parties upon the expiry of the existing distribution agreements, the Group will renew such agreements with distributors each year. In order to facilitate and assist the marketing and sale of the Group's products by its distributors, the Group bears the delivery costs and implements advertising strategies primarily through television commercials and billboards to emphasize the health benefits of moderate consumption of grape wines in order to establish consumer loyalty and strengthen the popularity of its products.

The Group does not have any ownership or management control over its distribution network. In order to supervise these distributors, the Group assigns sales managers to work closely with the distributors in order to monitor their performance and obtain market feedback on the Group's products. In addition, the Group conducts annual appraisals of the performance of our distributors to determine whether the Group will renew the distribution agreements with them, taking into consideration their sales network, promotion approach, creditability and inventory accumulation.

The following table sets forth a breakdown of our revenue by sales region for the Year:

	2014		2013	
	RMB'000	***%***	*RMB'000*	*%*
North-East Region *(Note 1)*	**38,056**	**13.3%**	28,730	16.3%
Northern Region *(Note 2)*	**61,772**	**21.6%**	35,281	20.1%
Eastern Region *(Note 3)*	**88,169**	**30.8%**	52,235	29.7%
South-Central Region *(Note 4)*	**43,459**	**15.2%**	24,683	14.0%
South-West Region *(Note 5)*	**54,864**	**19.1%**	35,067	19.9%
Total	**286,320**	**100.0%**	175,996	100.0%

Notes:

1. North-East Region includes the Provinces of Heilongjiang, Jilin and Liaoning.

2. Northern Region includes the Provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.

3. Eastern Region includes the Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang and city of Shanghai.

4. South-Central Region includes the Provinces of Guangdong, Hainan, Henan, Hubei and Hunan.

5. South-West Region includes the Provinces of Guizhou, Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.

The geographical distribution of our sales remained relatively stable. Revenue derived from our sales in the eastern region of China made the largest contribution to our total revenue. The eastern region of China is our largest market because it is a comparatively more affluent region in the PRC with relatively high levels of per capita income, where consumers have a general preference towards wine products over other alcoholic beverages. The south-west and northern regions of China are also our significant markets, where some of our key distributors are located.

The Group will continue to expand and optimize its distribution network by working closely with the Group's distributors and leveraging their local resources and business networks.

Supply of grapes, grape juice and imported grape wines

Production of quality grape wine products is highly dependent upon sufficient supply of quality grapes and grape juice. Currently, we source our supply of grapes from 285 local grape farmer suppliers, whose vineyards are located in the regions around Ji'An City, Jilin Province, the PRC at the foothills of the Changbai mountain range on the banks of the Yalu river. In order to maintain reliable and stable supplies of quality grapes to meet our needs, we have entered into a 20 year long-term contract with each of our grape farmer suppliers and our vineyard management team supervises the planting, nurturing and harvesting of the grapevines. During the Year, the Group's grape juice supplies came from the PRC and France and the Group has also imported grape wines from France (e.g. "Cordes"「卡圖磨坊」, "Falyia"「法萊雅」, etc.). To ensure we have reliable and solid supplies of quality grapes, grape juice and imported grape wines to meet the production needs of our growing business as well as our expanded production capacity, the Group has kept identifying new grape farmers, grape juice and imported grape wine suppliers, who meet our quality requirements and thorough tests are conducted on the grapes, grape juice and imported grape wines they produce. These procedures ensure we procure quality grape farmers, grape juice and imported grape wine suppliers.

Production capacity

The Group's annual production capacity in Tonghua County, Jilin Province and the annual production capacity of 烟台白洋河酿酒有限责任公司 (Yantai Baiyanghe Winery Co. Ltd.*) ("Yantai Baiyanghe") in Qixia County, Shandong Province are 39,000 tonnes and 30,000 tonnes respectively. The combined production capacity enables the Group to promptly respond to market demand, enhances overall cost-effectiveness in terms of unit costs in the long run and provides a better platform for sustainable earnings growth in future.

The Tontine Wine Cellar, which is located in Tonghua County, Jilin Province, is a place where a stock of wine is properly stored under a controlled environment to undergo an ageing process to produce a range of winery products. The storage capacity of the wine cellar is designed to accommodate an ample storage for the holding or processing of up to approximately 600,000 bottles (750 ml).

In view of Chinese citizens' rising income level and accelerated urbanization in China, the Group remains confident in the recovery of the middle– to high-end grape wine sector in the long run. To reap the market share of the sector further and harvest the business opportunities ahead, the Group has developed the Tontine Wine Estate in Ji'An City, Jilin Province, to produce a premium range of our estate bottle wines from high quality grapes. Wines produced by the wine estate, which will be labelled as "Estate Bottled Wine", will be produced from high quality grapes grown in our self-operated vineyards within our wine estate. Our wine estate, with vineyards covering a total area of approximately 2,000 mu**, will be installed with wine production and wine cellaring facilities and is expected to have an annual yield of around 500 tonnes (approximately 600,000 bottles (750 ml)). The construction of the wine estate was completed in December 2013. Vineyards in the region that covers a total area of approximately 887 mu have been set up and planted with different types of grapes including Beibinghong (北冰紅) and Vidal (威代爾).

* *for identification purpose only*

** *1 mu equals to approximately 667 square metres.*

Business outlook

Looking into 2015, the grape wine industry will gradually bottom out and the business environment is expected to improve accordingly. It is our determination to continue to improve the Group's profitability and increase shareholders' value over the long-term. We see tremendous opportunities for our products and brands. We invest in our brands to invigorate future performance, to strengthen our competitive edge and to improve efficiency across our businesses. Due to the relatively tough and challenging market conditions in China, we expect that unfavourable business environment will still persist in this year but we remain positive about our business prospects over the long run. All in all, we remain optimistic that the China market would turn around in the near future.

FINANCIAL REVIEW

Revenue

Revenue represents proceeds from the sale of grape wine products. Our revenue increased by approximately 62.7% to approximately RMB286.3 million for the year ended 31 December 2014 from approximately RMB176.0 million in 2013. Our customers mainly comprised regional distributors in the PRC and we sold our products to our distributors at prices ranging from approximately RMB5.1 to RMB410.3 per bottle. The following table sets forth a breakdown of the Group's revenue for the Year:

	2014		2013		Growth in
		% of total		*% of total*	revenues
	RMB'000	***revenues***	*RMB'000*	*revenues*	*(%)*
Revenue					
Sweet wines	**151,908**	**53.1%**	119,911	68.1%	26.7%
Dry wines	**128,810**	**45.0%**	56,085	31.9%	129.7%
Brandy	**5,602**	**1.9%**	–	–	N/A
Total	**286,320**	**100.0%**	175,996	100.0%	

The growth in revenue and the change in price ranges were mainly due to (i) the inclusion of the revenue of Yantai Baiyanghe of approximately RMB89.8 million in which the Group acquired its 60% equity interest in 2013 and thus enrich the Group's wine products portfolio through the acquisition; and (ii) an increase in sales volume due to the improvement of the grape wine market for the Year.

The following table sets forth the number of units sold and the average selling prices of the Group's products for the Year:

	2014		2013	
	Total units sold	**Average[1] selling price**	Total units sold	Average[1] selling price
	tonnes	***RMB'000 per tonne***	*tonnes*	*RMB'000 per tonne*
Revenue				
Sweet wines	**10,669**	**14.2**	7,950	15.1
Dry wines	**5,084**	**25.3**	2,513	22.3
Brandy	**359**	**15.6**	–	–
Total	**16,112**	**17.8**	10,463	16.8

During the Year, we did not adjust the individual selling prices of our products. The increase in the total units sold were mainly due to (i) the inclusion of products sold by Yantai Baiyanghe (approximately 3,930 tonnes); and (ii) the improvement of the grape wine market for the Year.

The increase in the overall average selling price was mainly attributable to the inclusion of products sold by Yantai Baiyanghe for the Year.

Cost of sales

	2014		2013	
	RMB'000	***%***	*RMB'000*	*%*
Raw materials				
– Grapes and grape juice	**103,864**	**39.7%**	147,600	55.5%
– Yeast and other additives	**9,130**	**3.5%**	6,970	2.6%
– Packaging materials	**81,130**	**31.0%**	70,542	26.5%
– Others	**1,012**	**0.5%**	758	0.3%
Total raw material cost	**195,136**	**74.7%**	225,870	84.9%
Production overheads	**31,520**	**12.0%**	13,691	5.1%
Consumption tax and other taxes	**34,722**	**13.3%**	26,582	10.0%
Total cost of sales	**261,378**	**100.0%**	266,143	100.0%

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, label, corks and packing boxes. During the Year, the cost of grapes and grape juice were the key component of cost of sales and accounted for approximately 39.7% of the Group's total cost of sales.

[1] *Weighted average selling prices of sweet or dry wine products (as applicable) taking into account the actual sales volume of each wine product.*

The percentage of the total raw material cost to total cost of sales decreased approximately 10.2% from approximately 84.9% to approximately 74.7% was primarily due to a reduction in amount of inventory being written off to approximately RMB1.0 million for the Year from approximately RMB138.4 million in 2013.

Production overheads primarily consist of depreciation, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses for production. The increase in percentage of production overheads to total cost of sales as compared with last year was mainly due to the rise in labour costs, depreciation and other overheads as a result of the completion of the Tontine Wine Cellar and Tontine Wine Estate in the fourth quarter of 2013.

The consumption tax and other taxes increased approximately 3.3% from approximately 10.0% to approximately 13.3%, which was mainly attributable to the growth in revenue.

Gross profit (loss) and gross profit (loss) margin

Gross profit (loss) is calculated based on the Group's revenue less cost of sales. During the Year, the gross profit of the Group was approximately RMB24.9 million as compared with the gross loss of approximately RMB90.1 million for last year.

Our average gross profit margin was approximately 8.7% as compared with the gross loss margin of approximately 51.2% for last year.

Reasons for recorded in gross profit and gross profit margin for the Year are explained in the above paragraphs headed "Revenue" and "Cost of sales".

Selling and distribution expenses

Selling and distribution expenses mainly comprise advertising and promotional expenses, transportation costs, sales commission incurred and miscellaneous expenditures related to our sales and marketing personnel.

During the Year, the selling and distribution expenses decreased to approximately RMB192.3 million from approximately RMB238.7 million last year. The decrease was primarily attributable to a decrease in advertising and promotional charges to approximately RMB154.0 million for the Year from approximately RMB215.0 million last year. The Group will continue to engage in brand building activities, such as mass media advertising and will ensure that its promotion strategy is responsive to market dynamics and competition.

Administrative expenses

Administrative expenses mainly comprise salaries and welfare benefits incurred, directors' fees, product development expenses, insurance premium, other tax expenses, depreciation and amortization expenses and other incidental administrative expenses.

In 2014, administrative expenses increased to approximately RMB76.5 million from approximately RMB53.7 million last year. The increase was mainly attributable to the including the administrative expenses of Yantai Baiyanghe for the Year.

Impairment on tangible and intangible assets

During the Year, the economic benefits derived from the grape wine production contracted. As a result, we performed impairment tests for the property, plant and equipment, prepaid lease payment and intangible assets related to the grape wine business. Accordingly, impairment of approximately RMB523.1 million (2013: RMB158.7 million) has been recognized during the Year. (For more information on the determination of the impairment amounts, please refer to note 6 above)

Income tax credit

Tax represents amounts of PRC EIT charged at the applicable tax rates in accordance with the relevant law and regulations in the PRC. Pursuant to the EIT Law and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. As at 31 December 2014, the Company had an income tax credit of approximately RMB22.6 million (2013: RMB25.1 million). This was due to the reversal of deferred tax on undistributed earnings of the PRC subsidiary in prior years.

Loss and total comprehensive expense for the year attributable to owners of the Company

Taking into account of the aforementioned, the loss and total comprehensive expense attributable to owners of the Company for the Year amounted to approximately RMB659.0 million (2013: RMB503.9 million).

Trade receivables analysis

We normally grant a credit period of 90 days for our distributors.

As at 31 December 2014, the trade receivables were approximately RMB97.1 million (2013: RMB59.1 million) and average trade receivables turnover days were approximately 100 days (2013: 142 days). The average trade receivables turnover days reduced in 2014 was primarily due to the improvement of the grape wine market.

Trade payables analysis

The credit period on purchase of raw materials ranges from two to three months.

As at 31 December 2014, the trade payables were approximately RMB19.3 million (2013: RMB13.1 million) and average trade payables turnover days were approximately 26 days (2013: 16 days) which were in line with the credit periods granted to the Group.

Inventories analysis

We generally maintain our inventories at certain acceptable levels to meet the seasonal, market and other commercial needs.

As at 31 December 2014, the inventories were approximately RMB315.2 million (2013: RMB258.5 million) and the average inventory turnover days were approximately 462 days (2013: 391 days). The longer inventory turnover period during the Year was primarily the result of the increase of the cost of grapes and grape juice during the Year and stocking up of unprocessed wines for the preparation of the production of "Wine Cellar Wine" and "Estate Bottled Wine".

Financial management and treasury policy

The Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). Accordingly, there has been no significant exposure to foreign exchange fluctuation.

The net proceeds derived from the fund raising activities of the Company that were not already used for the intended purposes have been placed on short term deposits in Hong Kong and in the PRC. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Board considers that the Group has limited foreign currency exposure because our operations are conducted in the PRC. Sales and purchases are mainly denominated in RMB. In view of the minimal foreign currency exchange risk, the Group had not used any financial instruments for hedging purposes. The Group would closely monitor the foreign currency movement instead of entering into any foreign exchange hedge arrangement.

The Group will continue to pursue a prudent treasury management policy and is in a strong liquidity position with sufficient cash to cope with daily operations and future development demands for capital.

With the strong cash and bank balances, the Group is in a net cash position and thus is exposed to minimal financial risk on interest rate fluctuation.

HUMAN RESOURCES MANAGEMENT

Employment and remuneration policy

Quality and dedicated staff are our most important assets and are indispensable to our success in the competitive market. As part of our corporate culture, we strive to ensure a strong team spirit among our employees for them to contribute towards our corporate objectives. In achieving the goal, we offer competitive remuneration packages commensurate with the industry level and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits to the employees in Hong Kong and in the PRC. A share option scheme has also been adopted with a primary purpose of motivating our employees to optimize their contributions to the Group and to reward them for their performance and dedications. Employees are encouraged to enroll in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group reviews its human resources and remuneration policies periodically with reference to local legislation, market conditions, industry practice and assessment of the performance of the Group and individual employees (including Directors).

As at 31 December 2014, the Group employed a work force of 584 (including Directors and 202 staff of Yantai Baiyanghe) in Hong Kong and in the PRC (2013: 392). The total salaries and related costs (including the Directors' fee) for the year ended 31 December 2014 amounted to approximately RMB29.9 million (2013: RMB22.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

Our working capital was healthy and positive for the financial years 2013 and 2014 and we generally financed our operation with internal cash flows generated from operations for the past years.

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB172.6 million. It has sufficient financial resources and a strong cash position for satisfying the working capital requirements of business development, operations and capital expenditures.

CAPITAL COMMITMENTS AND CHARGES ON ASSETS

The Group made capital expenditure commitments including approximately RMB75.1 million that was authorised but not contracted for and approximately RMB26.7 million contracted but not provided for in the consolidated financial statements as at 31 December 2014. These commitments were required mainly to support the Group's production capacity expansion. The funding of such capital commitments will be paid out of the cash generated from operating activities.

As at 31 December 2014, none of the Group's assets was pledged (2013: nil).

DIVIDEND

The Board does not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2015 to 21 May 2015 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company to be held on 21 May 2015. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 18 May 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for directors' securities transactions. The Company has made specific enquiry of all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code regarding directors' securities transactions throughout the Year.

CORPORATE GOVERNANCE

Throughout the Year, the Company had applied the principles and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, save for the deviation from Code Provision A.2.1, which states that the responsibilities between the chairman and the chief executive officer ("CEO") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Wang Guangyuan currently performs these two roles. Mr. Wang is responsible for the overall business strategy and development and management of the Group. The Board consider that Mr. Wang, by serving as the chairman of the Board and the CEO of the Company, is able to lead the Board in major business decision making for the Group and enables the Board's decisions to be effectively made, which is beneficial to the management and the development of the Group's business. Therefore, Mr. Wang assumes the dual roles of being the chairman of the Board and CEO of the Company notwithstanding the aforementioned deviation.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 28 October 2009. The Audit Committee currently comprises all the three independent non-executive Directors, namely Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao.

The Audit Committee has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the Year.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND OF THE STOCK EXCHANGE

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tontine-wines.com.hk). The annual report for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to our management and all our staff for their continuous efforts and whole-hearted devotion. We are also truly grateful to our shareholders, investors, business partners and customers for their enormous support and trust.

By order of the Board
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 26 March 2015

As at the date of this announcement, the Executive Directors are Mr. Wang Guangyuan, Mr. Zhang Hebin and Ms. Wang Lijuan and the Independent Non-executive Directors are Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao.

This document is prepared in both English and Chinese. In the event of inconsistency, the English text of this document shall prevail over the Chinese text.